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EXECUTIVE COMMITTEE OF THE
HIGH COMMISSIONER'S PROGRAMME

Forty-ninth session

REPORT OF THE BOARD OF AUDITORS TO THE GENERAL ASSEMBLY ON THE ACCOUNTS OF THE VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES FOR THE PERIOD ENDED 31 DECEMBER 1997

Addendum 2 - Report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) to the General Assembly at its Fifty-third session (extract)*

* This document is an extract from the General Assembly Document A/53/513: Financial Reports and Audited Financial Statements, and Reports of the Board of Auditors - Report of the Advisory Committee on Administrative and Budgetary Questions.

GE.99-0127

1. In accordance with financial regulation 12.11, the Advisory Committee on Administrative and Budgetary Questions received the reports of the Board of Auditors on the most recent financial statements of the following entities to the General Assembly: the United Nations,[1] the International Trade Centre UNCTAD/WTO (ITC),[2] the United Nations University (UNU),[3] the United Nations Development Programme (UNDP),[4] the United Nations Children's Fund (UNICEF),[5] the United Nations Population Fund (UNFPA),[6] the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA),[7] the United Nations Environment Programme (UNEP),[8] the United Nations Habitat and Human Settlements Foundation,[9] the Fund of the United Nations International Drug Control Programme (UNDCP)[10] and the United Nations Office for Project Services.[11] In addition, the Advisory Committee had before it the Board's report on United Nations peacekeeping operations for the period from 1 January 1996 to 30 June 1997[12] and on the accounts for the year ending 1997 on the voluntary funds administered by the United Nations High Commissioner for Refugees[13] and on the United Nations Institute for Training and Research (UNITAR),[14] as well as the report of the Board on the management review of the secretariat of the International Civil Service Commission (A/52/811).

VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES

2. On the subject of biennial auditing, the Advisory Committee notes the comments of the Board in paragraph 18 of its report on voluntary funds administered by UNHCR for 1997,[13] and regrets the delay in the consultations between the Board and the Office of the United Nations High Commissioner for Refugees (UNHCR). The Committee discussed the question with the Audit Operations Committee and also with representatives of the High Commissioner. The Committee raised a number of questions on the observations made by the UNHCR administration as contained in paragraphs 30-33 of document A/53/335/Add.1, section G. The Committee was not persuaded by the arguments put forward by the administration. The Committee sees no reason why a biennial certification of the financial statements would be of less value to donors (see A/53/335/Add.1, sect. G, para. 32), since that procedure is followed for the other major funds and programmes to which the same donors make voluntary contributions. Furthermore, a biennial audit would give the Office more time to implement recommendations of the Board. The procedure should also facilitate the timely submission of more audit certificates by implementing partners, thus addressing some of the concerns of the Board of Auditors (see para. 11 below).

3. Accordingly, the Advisory Committee recommends that UNHCR operations be audited biennially. The Committee further recommends that, like the United Nations, UNHCR provide interim unaudited financial statements every six months. The Committee also recommends that UNHCR and the Board discuss the modalities for planning for biennial audit. Should this recommendation be accepted by the General Assembly, the next audited financial statements would be submitted to the General Assembly at its fifty-fifth session to coincide with the biennial audits of the United Nations and those of other funds and programmes.

4. With regard to income recognition, the Advisory Committee exchanged views with members of the Audit Operations Committee and representatives of the High Commissioner on the observations and recommendations made by the Board

in paragraphs 12-16 of its report. The Committee also reviewed the comments of UNHCR in document A/53/335/Add.1, section G, paragraphs 1-4, and notes that the High Commissioner is seeking guidance from the Advisory Committee and the Executive Committee. The Advisory Committee had informed the Executive Committee that the Advisory Committee would report to the General Assembly and that its recommendations would be available to the Executive Committee, taking into account any decisions that may be taken by the General Assembly.

5. In the opinion of the Advisory Committee, the current classification of UNHCR programmes into general and special categories has led the Board to make the observation in paragraph 14 of its report. The Committee shares the reservations of the High Commissioner regarding the applicability of article 35 of the United Nations accounting standards to the current UNHCR special programmes. The Committee is of the view that income recognition for those special programmes should be on an accrual basis. However, article 35 should continue to apply to UNHCR trust funds, that is, income is recognized when received and commitment of funds should be based on income received.

6. In its recent report on the revised UNHCR budget for 1998 and initial estimates for 1999, the Advisory Committee made detailed recommendations on the reclassification of the UNHCR programmes. If the Executive Committee accepts them, the implementation of the Committee's recommendations will resolve the issue raised by the Board. The Committee will recommend that the High Commissioner avoid classifying UNHCR programmes as special and general. There will be a system of annual and supplementary programmes, the income for which will be recognized on an accrual basis.

7. In paragraph 15 of its report, the Board considers that contributions in kind should be recognized as income only when received. There are no specific comments on this in the comments of UNHCR. The Committee notes that the observation of the Board is in line with the financial rules for voluntary funds of UNHCR. Therefore, the Committee recommends that the Board's recommendation be fully implemented.

8. The Committee discussed the question of the timing of the submission of audit certificates with the Audit Operations Committee and with representatives of the High Commissioner. The Committee commends UNHCR for action taken so far on this important subject, as briefly recorded in paragraph 20 of the Board's report. The Committee understands that, for example, for non-governmental organizations acting as implementing partners, a six-month time period is allowed for the submission of the certificates; for government implementing partners a three-month time-frame is observed. The Committee understands that extensive discussion has taken place between UNHCR and representatives of the Board and that it has been suggested that, for example, for non-governmental organizations, a three-month time-frame be applied.

9. Contrary to the statement of the administration in paragraph 35 of document A/53/335/Add.1, section G, the Advisory Committee does not consider it unreasonable, for a range of operational reasons, to request that implementing partner audit certificates be submitted in time for the Board of Auditors to be able to review them at the time that it carries out the audit of UNHCR for a given year. The Committee also does not share the view of the

administration that given the auditors' right to access implementing partner accounts, the audit certification of UNHCR should not be made contingent on the number of audit certificates available at the time of the audit exercise.

10. It is the opinion of the Advisory Committee that it is incumbent on all audited administrations to provide the Board of Auditors with the information it deems appropriate for it to render an opinion on the financial statements. With respect to the reference to the Board's right to access the accounts of implementing partners, the Committee wishes to recall its statement in its previous report (A/51/533, para. 120) that it is the basic responsibility of every implementing partner to have its accounts (relating to UNHCR funds) duly audited and to submit audited accounts and audit certificates for scrutiny by UNHCR and the Board.

11. The Advisory Committee considers the certification process to be an important element in the accountability of implementing partners. It is concerned by the finding of the Board in paragraph 19 of its report. According to the Board, as at 31 March 1998, the amounts advanced to implementing partners (other than United Nations agencies) in the years 1995, 1996 and 1997 were $ 472.7 million, $ 491.5 million and $ 370.4 million respectively. Audit certificates had been received as at 31 March 1998 only for $ 225.1 million (47.6 per cent) for 1995, $ 23.1 million (4.7 per cent) for 1996 and none for 1997. Under the circumstances, the Committee recommends that the Board and UNHCR hold further consultations in the light of the recommendations made by the Committee on biennial audits (see para. 2 above).

Notes

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. I, chap. II.
[2] Ibid., vol. III, chap. I.
[3] Ibid., vol. IV, chap. II.
[4] Ibid., *Supplement No. 5A* (A/53/5/Add.1), chap. II.
[5] Ibid., *Supplement No. 5B* (A/53/5/Add.2), chap. II.
[6] Ibid., *Supplement No. 5G* (A/53/5/Add.7), chap. II.
[7] Ibid., *Supplement No. 5C* (A/53/5/Add.3), chap. II.
[8] Ibid., *Supplement No. 5F* (A/53/5/Add.6), chap. II.
[9] Ibid., *Supplement No. 5H* (A/53/5/Add.8), chap. II.
[10] Ibid., *Supplement No. 5I* (A/53/5/Add.9), chap. II.
[11] Ibid., *Supplement No. 5J* (A/53/5/Add.10), chap. II.
[12] *Official Records of the General Assembly, Fifty-second Session, Supplement No. 5* (A/52/5), vol. II, chap. II.
[13] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5E* (A/53/5/Add.5), chap. I.
[14] Ibid., *Supplement No. 5D* (A/53/5/Add.4), chap. II.
[15] Ibid., *Supplement No. 9* (A/53/9), chap. III.
[16] *Official Records of the General Assembly, Fifty-second Session, Supplement No. 5* (A/52/5), vol. II, chap. I.